

THE PROPER SCOPE OF GOVERNMENT:
HOW DO WE DECIDE?

By

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Foreword

This publication attempts to shed some light on the increasing debate over the proper role and scope of government in the United States. Increasing numbers of state and local governments have had ballot initiatives to restrict government revenues or expenditures. A group has mobilized to lobby for a constitutional amendment at the national level to force a balanced federal budget except in times of emergency.

The growth in federal, state and local government in the United States is traced out from 1929 through 1977. Major components of growth and explanations for growth in government are identified. Some alternatives for determining the proper scope of government are discussed and the reader is led on an illustrated tour of taxes and services for the average Ohio citizen. Finally, specific suggestions are made for citizen evaluation and action and some reference materials provided to assist in this effort.

Graduate students, Robert Rivet and Tressa Cathcart, assisted in compiling the data on the growth of government. The citizen tour of taxes script was originally developed by Dr. John Rohrer, Extension Area CRD Agent, Wooster, Ohio and the illustrations by Albert Pugh, Extension sociologist, O.S.U. These materials have been "pre-tested" in several public finance workshops conducted in communities across Ohio by state and area Community and Natural Resource Development staff members of the Ohio Cooperative Extension Service. The tax and service illustrations in Appendix I can be readily converted to transparencies for overhead projector use.

Introduction

Efforts to restrict growth in taxes and government in the United States are much in the news. California's passage of Proposition 13 to limit growth of local property taxes has accelerated interest in a smorgasbord of initiatives at the local, state, and national levels to put limits on government taxes, expenditures or both. Voters approved 13 of 18 major spending or tax limitation initiatives on the ballot in November of 1978. A certain amount of resignation and cynicism has long been a part of the public debate over taxes. Expressions like "there are only two things in life you cannot escape - death and taxes" or "a good tax is one someone else pays" are often heard. However, the recent ballot initiatives suggest that voters are increasingly inclined to do something about increased government taxes and/or expenditures.

As with most issues, there is another side to the so-called tax issue - the goods and services (including regulations and government contracts to private firms) provided by taxes. Unfortunately, the linkages between taxes paid and services received are frequently weak, making implementation of a benefit principle of taxation difficult. With the exception of such things as toll roads, user charge financed sewer and water services and gasoline taxes for highways, many services received are not directly linked to specific taxes or charges paid by citizens.

The difficulty in realizing "citizen sovereignty" where benefits or government services accrue to those who pay for the services is complicated by additional factors. Because of variation in income and wealth among citizens, the "benefit" principle of taxation is subordinate in practice to an "ability to pay" principle. This is particularly true for the provision of services (e.g., Medicare) or transfer payments (e.g., unemployment compensation) to

reduce the disparities in income and wealth. Various types of externalities such as an adequate pollution and collective or public goods such as national defense also present problems. The former involves social costs not reflected in market prices and the latter cannot generally be withheld from citizens refusing to pay for them.

The weak linkage of service costs and benefits, income redistribution externality and public good problems combined with the self-interest inclinations of man help explain the apparent inconsistency in many citizen actions. Being strongly in favor of the government giving a large contract to my employer or supporting farm prices, but being against the government providing a subsistence income to an unemployed person or mother with dependent children is an example. Pollution must be stopped if it has killed fish in the stream where I fish or has lowered the value of my property, but it is government "meddling" if pollution control forces soil conserving practices, increases the price of the automobile I buy, or causes the steel mill where I work to shut down. This is the crux of the debate over the proper role and scope of government. There are no easy answers, only difficult trade-offs.

Growth of Government

Expenditures of government as a percent of GNP have shown a general upward trend over the last 50 years. This is true of all levels of government with the exception of the World War II period. During that time, Federal expenditures increased dramatically as a percent of GNP while state and local expenditures declined. Table 1 shows that federal expenditures as a percent of GNP increased from 2.5 percent in 1929 to 22.4 percent in 1977. The corresponding percentages for state and local expenditures are 7.4 percent in 1929 and 14.1 percent in 1977.

TABLE 1

Expenditures of Federal, State, and Local Governments
(Millions of dollars)

Items	1929	1939	1944	1947	1953	1964	1977
Federal							
Total	2,645	8,955	95,585	31,089	76,989	118,111	422,600
Purchase of goods and services.	1,311	5,157	89,006	15,776	57,034	65,182	145,100
Transfer payment and net interest paid.	1,132	1,883	4,261	13,004	16,290	38,247	161,600
Grants in aid to State and Local Gov't.	117	988	947	1,738	2,834	10,432	61,100
Subsidies less current surplus of gov't enterprises	85	927	1,371	571	831	4,250	5,800
State and Local							
Total	7,699	9,555	8,434	14,513	27,028	67,886	266,600
Purchase of goods and services.	7,171	8,163	7,523	12,832	24,611	63,725	248,900
Transfer payment and net interest paid	760	1,834	1,630	2,479	3,637	7,158	21,800
Less: Current surplus of gov't enterprises	232	442	719	798	1,220	2,997	5,300
GNP (Billions of dollars)	104.4	91.1	211.4	232.2	364.6	631.7	1887.2
(Fed. exp.)/GNP) x 100	2.53	9.83	45.21	13.38	21.12	18.70	22.39
(State & Local exp.)/GNP) x 100	7.37	10.49	3.99	6.25	7.41	10.75	14.13

SOURCE: National Income and Product Accounts, U.S. Department of Commerce.

Most of the increase in federal expenditures falls in two major categories: the purchase of goods and services, and transfer and net interest payments. The continuing high level of outlays for national defense, the interstate highway system and the space program are all visible examples of increased federal purchase of goods and services, over half from private firms. The Social Security System and Medicare represent growth in transfer programs, which redistribute income and shift purchasing power among consumers. The growing federal debt and its corresponding interest costs is a frequent topic of concern among taxpayers. The federal debt has grown, but privately held debt exceeds all federal, state and local public debt in both its total amount (\$2.5 vs. \$.8 trillion in 1976) and rate of growth (49.5 vs. 44.7 percent average annual increase, 1940-76). Those citizens concerned about the public debt are also consumers who have gone into private debt at record levels to purchase farm land, new homes, second homes, motor homes, automobiles, snowmobiles, vacations, etc.

The growth in state and local government expenditures has been concentrated primarily in the purchase of goods and services, such as the services of school teachers, policemen and firemen. Most of the increase in state and local government expenditures can be explained by the following factors:

1. The increased demand from population (including urban concentration) and income growth, and until recent years the increased proportion of school age population.
2. Technological progress in the private sector and its attendant regulatory and janitorial demands on the public sector, e.g., environmental pollution abatement.
3. The labor intensity of most local government services, e.g., schools, hospitals, police and fire protection, and fewer cost saving innovations. Barber shops and other labor intensive services in the private sector don't have a very good record on productivity either.

4. Rising prices and salaries including relatively higher priced inputs for government as opposed to the total economy and some "catch up" salary increases, particularly for teachers.
5. Major increases in the types and magnitudes of federal grants which can have both a stimulative and substitution effect on state and local expenditures.
6. Some growth in the real level or quality of service delivery, e.g., upgraded ambulance service and broadened school curriculum and responsibilities.

Eckstein summarizes the history of attempts to identify "laws" of growth of government spending. As early as 1883, a German economist, Adolph Wagner, thought he had discovered the "Law of Ever-Increasing State Activity." In the early 1960's, Peacock and Wiseman tested some of Wagner's ideas with data from Britain. They found that expenditures grew primarily because revenues grew, not the reverse. As an economy grows, a given tax system yields more revenues and governments like the citizens they serve are able to find ways to spend their income.

In addition to the gradual growth of expenditures in line with revenues, the periodic financing of a major war leads to an increase in the breadth and/or rate of the existing tax system. The cessation of warfare does not result in the system returning to its pre-war level of government expenditures. This permanent upward movement of expenditures and revenues is called the "displacement effect." There is obviously a lot of momentum in existing government spending programs in a growing economy, and the displacement effect can be observed. However, Eckstein states that "long-term movements in expenditure levels are as much the result of conscious policy decisions by the President, the Congress, and in the last analysis, by the voters."

Proper Scope of Government

The scope of government has not always been as substantial as it is today. In the mid-1800's schools were financed on a family subscription basis,

roads were built and maintained by citizen work crews, hospitals and welfare were largely functions of church and private charity, and water supply, sewage disposal and fire protection were largely private or voluntary neighborhood concerns. Some people in the anti-tax movement are advocating that we reconsider at least some of these earlier modes of providing for our collective needs.

The proper scope of government has been a subject of debate for a long time. John Locke said that "people subject themselves to government primarily to protect their property." Lincoln felt that "government should do for the people only what they cannot do for themselves." Adam Smith prescribed the major roles for government as: (1) defense, (2) administration of justice and (3) certain public works. Modern textbooks on government vary in their emphasis, but most identify the major purposes of American government as: (1) protection of individual freedom, (2) maintenance of social justice, (3) provision of a variety of public services and (4) a system of laws for the free market economy based on private property.

A useful framework has been developed by Eckstein to help determine whether an activity should be more properly in the private or public sector. The major subset of the framework is concerned with situations where the private market has failed or requires some adjustment. The specific situations include:

1. Externalities or the divergence between private and social costs or benefits. These spillovers or external costs and benefits from production and consumption manifest themselves negatively in the costs of environmental pollution and positively in the citizenship and worker productivity benefits of education. Market prices fail to fully reflect these external effects.
2. Collective goods which must be supplied to a group of people rather than individuals primarily because they cannot be withheld from individuals who refuse to pay for them. Examples include national defense, space exploration, flood control, police and fire protection, and spraying for mosquitoes by airplane. Collective goods can be viewed as involving an extreme form of external benefit.

3. Very heavy risks where the perceived benefits are too diffuse to offset the high development costs to any given private industry. The development of atomic energy, the space program and the proposed SST airplane are examples.
4. Natural monopolies or those cases where average costs decrease with size, making a single producer most efficient. Most public utilities (gas, electricity, telephone, and mass transit) fall into this category.
5. Other situations include fiscal and monetary policy to prevent depression and inflation, exercise of eminent domain for highways, etc. and the convenience and low cost of services such as weather forecasting.

Some citizens advocate a more active role for government that the foregoing response to private market failure. Alternative rationales include:

(1) government as a source of initiative such as with the T.V.A., mortgage insurance program and Medicaide; (2) changing the consumption pattern including taxes on alcohol and cigarettes and provision of low cost housing, school hot lunches, auto safety standards, etc., and (3) redistribution of income through such programs as aid to dependent children, unemployment compensation, and the location of various types of government projects.

A number of activities continue to be debated regarding whether they are more appropriately public, private or some combination. Examples include electric power, health insurance, commercial activities of the Defense Department, communications satellites, postal service, development of national forests, and exploration and extraction of a wide range of nonrenewable resources for energy and other uses. Decisions on the proper scope of government or an appropriate balance between the private and public sector on these as well as other activities need to be constantly reexamined in light of changing conditions and circumstances. The following citizen tour of a sample of Ohio taxes and services will help start this process of examination. Appendix I provides illustrations of the various taxes and services.

Taxes in the Life of an "Everyday Ohio Family"

The average family pays many more taxes than they realize. The most obvious are the State sales and Federal income taxes. In order to illustrate the large variety and great extent of taxes which occur in Ohio, let us take a look at a mythical family living in Everytown, Ohio.

This family, whose adult members will be called John and Jane Doe, make an average income of over \$14,600, have 2.1 children, and enjoy a number of the leisure activities in which many American families participate. On the day we visit the Does, John has received his paycheck the evening before, but he has not yet cashed it. We will now take a trip to town with Jane, to see how many taxes she meets in a (little exaggerated) routine day. You may want to count the types of taxes.

Jane takes John's endorsed check from him. On it she notices that \$107.92/month or \$1295.00/year federal income tax, \$9.50/month or \$115.25/year state income tax, and at one percent, \$12.17/month or \$146.00/year city income taxes have been withheld. Also, gone from the check is a Workmen's Compensation tax, Unemployment Insurance, and Social Security Tax. It takes a large chunk. She walks out of the house, on which was paid a property transfer tax of one mill or \$1.00/\$1000 when they bought it, and now a yearly real estate tax of 35 mills which on their \$40,000 home equals \$490.00/year (35% assessment). She steps into the car, on which was paid a tax in the form of the license tab: a yearly state tax (\$10.00), and a yearly county tax (\$5.00). And, when they bought the car, they paid a state sales tax on the sale price.

Jane drives downtown where she stops at a gasoline station. There, on the pump she notices that 11¢ tax per gallon is included in the price. That includes 4¢ federal tax and 7¢ state tax. After filling the tank, Jane drives to the bank. There she cashes John's check and pays her utility bills. On

the receipt, she notices that she paid a federal excise tax of 3 percent on phone service. This tax was 10 percent seven years ago, but is being reduced to one percent per year. In addition, she paid a state public utilities tax, indirectly (it's included in the rates) on each utility bill. Next she stops at the court house. John's mother died recently, leaving the estate to John and Jane. Jane has to find out the amount of the state estate tax and federal inheritance tax. Had John's mother given them the property before her death, she would have had to pay a gift tax on amounts over \$3,000 given in one year.

After her stop at the court house, Jane drives over to the stock broker's office. They buy one share a month of a mutual fund as their savings plan. Here Jane finds that they will have to pay an annual intangible property tax on any appreciation or growth of the shares. After the expedition to the stock broker, Jane stops at the department store to buy a shirt for little Jimmy. At the checkout, she pays 4-1/2 percent sales tax on the shirt, 4 percent to the state, 1/2 percent to the county. However, the neighboring county doesn't have the added 1/2 percent, since that is an optional tax with each county. Jane doesn't realize it, but she paid other taxes while buying that shirt. The label says "Made in Taiwan." Therefore, there was a federal import duty included in the price.

It is now lunch time. Jane stops at the nearby hamburger stand. When she orders, the attendant asks whether she wants it "to go." She wants to eat on the premises so he adds sales tax to the price. Later, when she gets groceries, she pays no sales tax on food items. However, the cigarettes have a special tax included in their price, as does the beer and the wine which she bought. If she bought paper towels or deodorant, she paid sales tax on it. Only food items are exempt from the sales tax. In Indiana she would pay sales tax on the food. In Pennsylvania food and clothing are exempt from sales tax.

Jane is greeted as she arrives home by "Smoky", the family dog. Smoky requires a license tag each year. When Jane steps in the house, the kids ask to go to a movie. "OK," she says, realizing that in her city there is a ten percent tax included in the price of admission to any entertainment. Such a tax is a local option. John, meanwhile, at the horseraces, pays a paramutuel state tax on all his bets. When John goes hunting and fishing, his hobbies require another tax in the form of a license.

Other "hidden" taxes are included in the price of goods and services which the Does buy. Among them are franchise taxes and insurance taxes which are passed on to the consumer.

Government Services of an "Everyday Ohio Family"

The average family receives more in governmental services than they may realize. Let's again take a tour with John and Jane in Everytown, Ohio to see only a few examples of the goods and services provided by various levels and departments of governments.

As John was jerked to reality by his alarm early Tuesday morning he noticed a tag hanging on his new pillow. It read "Don't remove under penalty of law." He yanked it off knowing that the manufacturer and retail stores were required to display the tag to guarantee its contents.

His wife, Jane, started to fry some bacon and noticed that the package had a "USDA Inspected" shield to guarantee wholesomeness.

After breakfast John got into his car and headed downtown for work. Soon he was zipping along an Interstate highway that he heard cost an average of four million dollars per mile to build. Not too long ago he took a bus part of the way, which was subsidized by the city, but his line was dropped when a special levy failed. There was talk of a new rapid transit, but everyone was waiting on more federal money for that.

Meanwhile, John's 15 year old daughter, Susan, was getting ready to board a school bus to attend the local high school. As Susan boarded the bus, Jane wondered. If it costs \$1469.00 a year for each student, how is the money raised? We pay \$490.00 a year in total property taxes and about 75% of that goes for schools. On the bus Susan began talking with her friend Debbie, who had recently been released from the county juvenile center because of an arrest for using illegal drugs. Debbie has to return each week for counseling. At noon, everyone at school had the opportunity to eat a federally subsidized class A hot lunch.

In the afternoon Jane did some shopping downtown with the family's second car. While there she stopped in at City Hall, supported by local tax money, to pay the water and sewer bill. The rates recently went up because the Environmental Protection Agency requires a third stage or tertiary treatment of all sewage which is also subsidized with Federal funds. Next she stopped off at the library to return some books she had borrowed.

On the way home from work John and three of his friends played a quick nine hole golf game at the municipal golf course. The course was a little crowded, but John didn't feel he could afford the \$625.00 dues for the local country club.

After dinner that evening John caught the last part of the 6:30 news on TV. Part of the news was "via satellite," a product of the Federal government's space program.

The presidential candidates were also debating military expenditures. John doesn't want to spend too much for the military-industrial "complex." However, he remembered his friend, Ed, who became furious whenever the subject came up because his company depended on military contracts and business had been slipping the past several years.

Right after the news an emergency vehicle pulled up outside with red lights flashing. It was the rescue squad from the local fire department. They ran into old Aunt Katherine's place across the street. John went over to see if he could help. Aunt Kate had a heart attack, but was very conscious when John arrived. The rescue squad told her she would have to be hospitalized. Kate murmured she couldn't afford a hospital stay on her Social Security check. John reassured her that since she had signed up for Medicare, that should help a lot.

Returning home, John wondered if Kate would have survived if the rescue squad hadn't been there. The new levy for the fire department also provided enough full time firemen so that the fire insurance was cheaper. John would save more on his insurance premium than he paid in additional taxes.

After checking the TV offerings in "TV Guide," John switched over to a public TV channel to watch a special on the tax revolt and Proposition 13. They discussed the income, sales, real estate, and value added tax. After the program John wondered as he went to bed, "What are they doing with all that tax money anyway?"

Suggestions for Citizen Action

Neither a "monster" or "mirror image of the governed" terminology is a complete description of government in the United States. However, to the extent that representative democracy like free enterprise continues as one of our popular institutions and broad societal goals, the mirror image terminology is more appropriate. Citizen access to and participation in all aspects of the democratic political process is a necessary first condition. Participation, in turn, should be concerned with situations where the level and type of government taxation, expenditures, or the goods and services provided are not consistent with at least a majority of citizen preferences.

Individual citizens or groups might start by evaluating specific types or levels of government goods or services based on: (1) how much the level of expenditure as well as service output quantity and quality has increased both over time and relative to other private and public goods or services, (2) linkages to revenue sources and the logic of those linkages, (3) whether or not and to what extent redistribution of income is or should be affected, and (4) whether the goods or services primarily adjust for or create external social costs or benefits. Appendices II and III provide a starting point by classifying specific local government services based on the earlier discussed criteria for determining the proper scope of government and of the logic of tax and service linkages. In addition, a suggested reference list includes some general references on government and data sources on government revenues and expenditures.

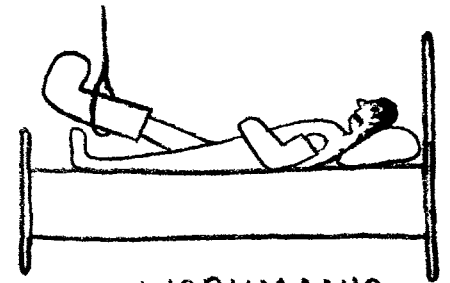
Answers to the foregoing questions will determine if: (1) a taxation or expenditure reduction ballot initiative is necessary, (2) if an alternative source of tax revenue or a user charge might be more appropriate for funding, (3) if the good or service might best be transferred to the private sector, (4) if more or less income redistribution is desired, and (5) if an increase or reduction in the service (e.g., pollution control) would result in a net reduction in the external costs imposed on society.

APPENDIX I

Illustrations of Ohio Taxes and Services

INCOME	
<i>[scribble]</i>	3.2
<i>[scribble]</i>	3.8
<i>[scribble]</i>	4.1
<i>[scribble]</i>	4.5
<i>[scribble]</i>	5.1
<i>[scribble]</i>	5.7
<i>[scribble]</i>	6.2
<i>[scribble]</i>	6.8
<i>[scribble]</i>	7.3
<i>[scribble]</i>	7.9
<i>[scribble]</i>	8.4
<i>[scribble]</i>	9.0

FEDERAL, STATE
AND CITY
INCOME TAXES



WORKMAN'S
COMPENSATION

[Wings]

BIG TIME, INC May 7 1978

PAY TO THE ORDER OF John Doe \$195.23

One hundred ninety-five and 23/100 DOLLARS

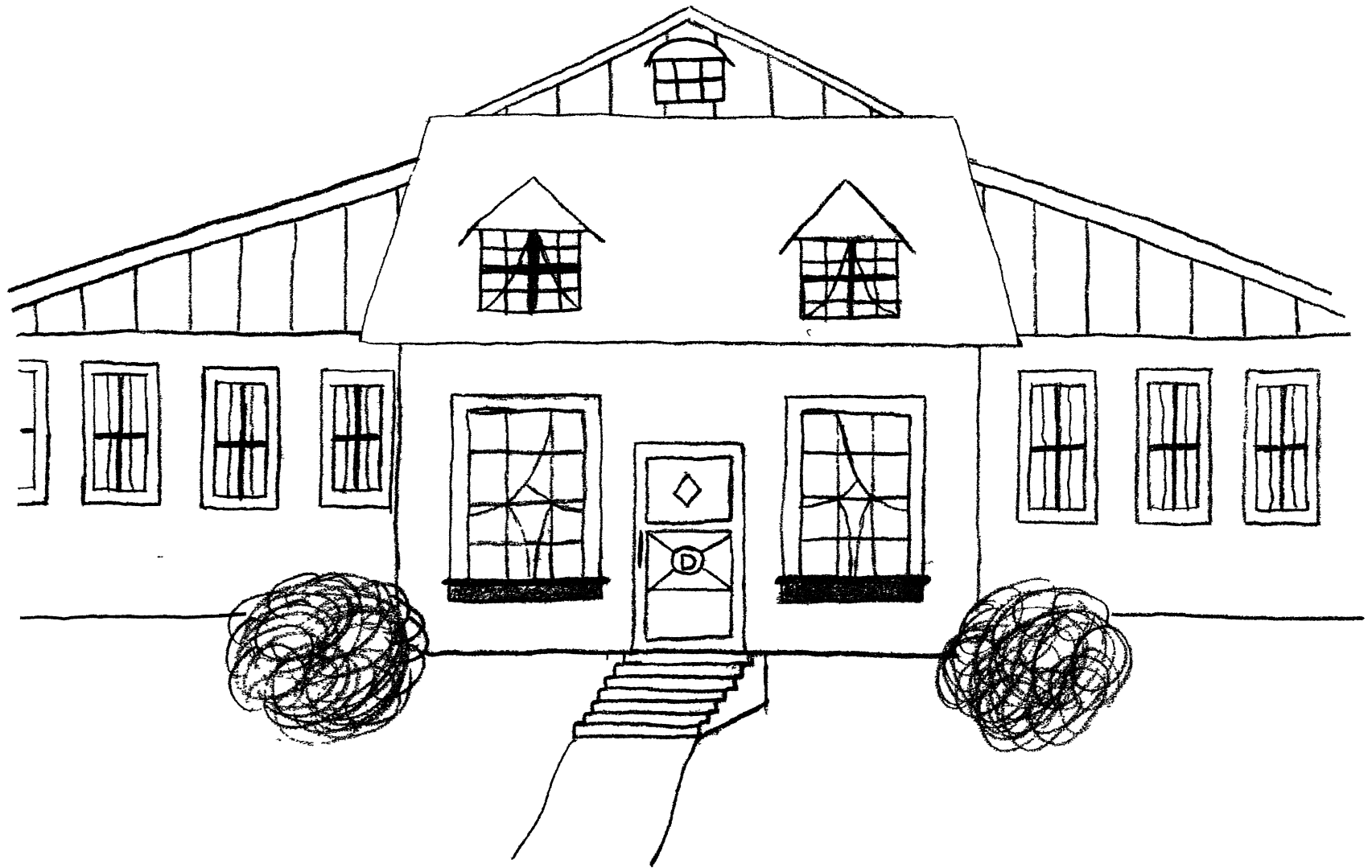
John Doe

LOCAL
334
ON
STRIKE

UNEMPLOYMENT
BENEFITS

SOCIAL SECURITY
ACCOUNT NO.:
John Doe
SIGNATURE
297-67-3927

SOCIAL
SECURITY
TAXES

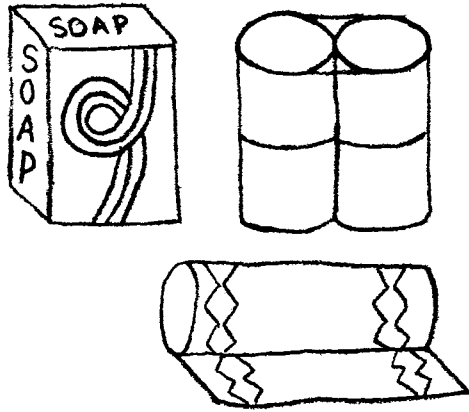


TRANSFER, REAL ESTATE
TAXES

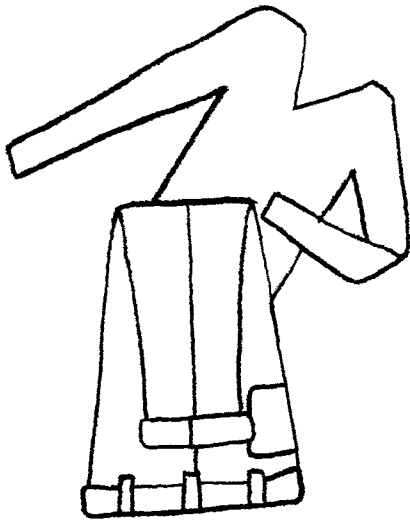
GAS
TAX



AUTO LICENSE

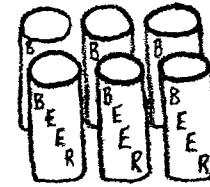


SALES TAXES

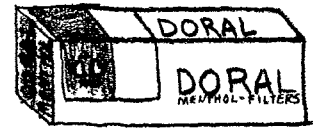


FEDERAL
IMPORT
DUTIES

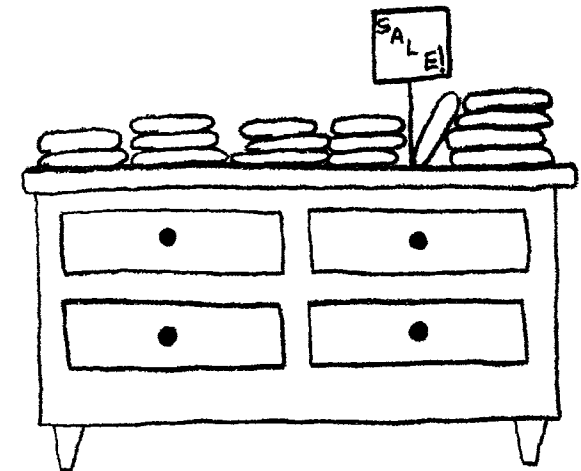
CIGARETTE

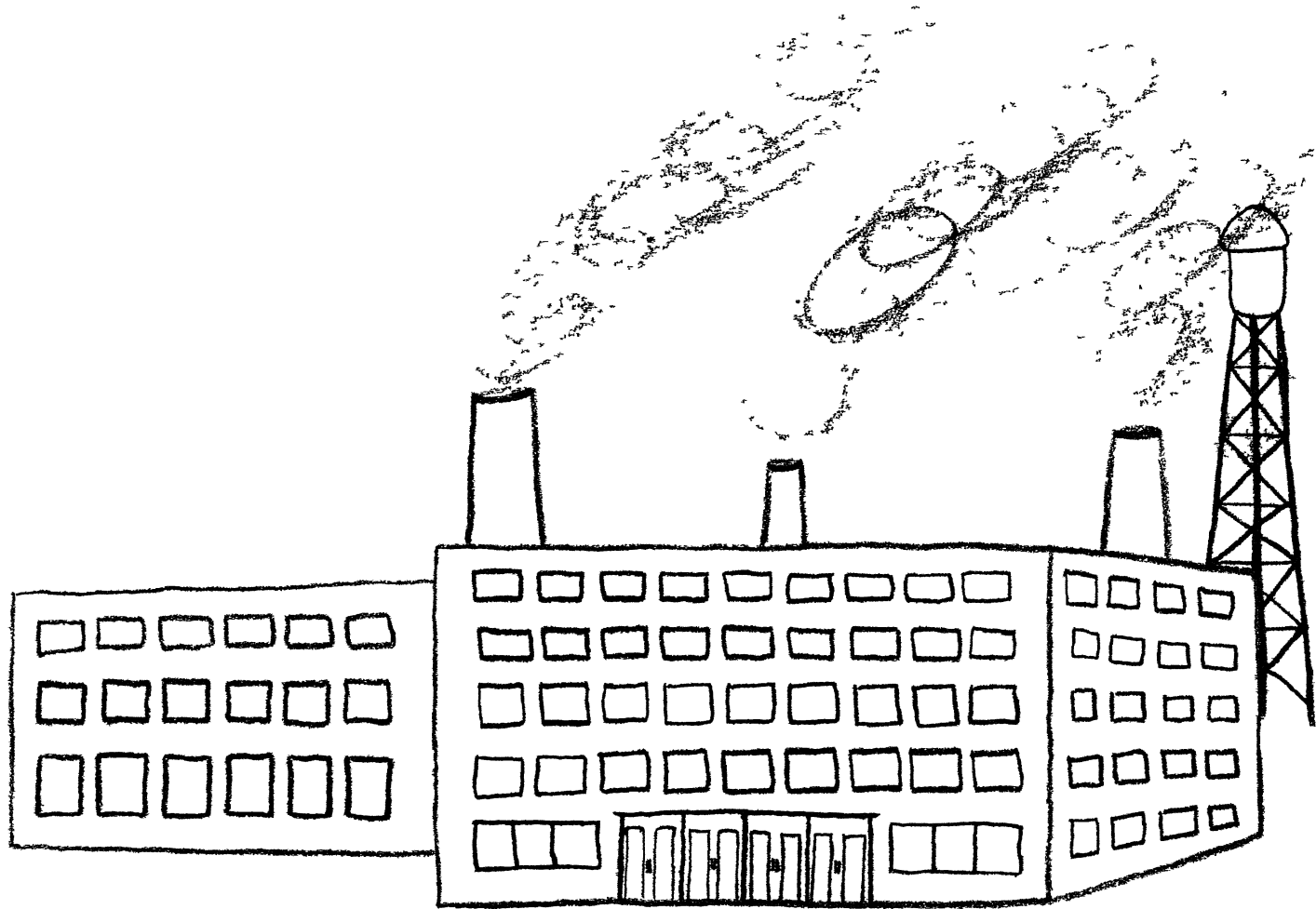


AND ALCOHOL

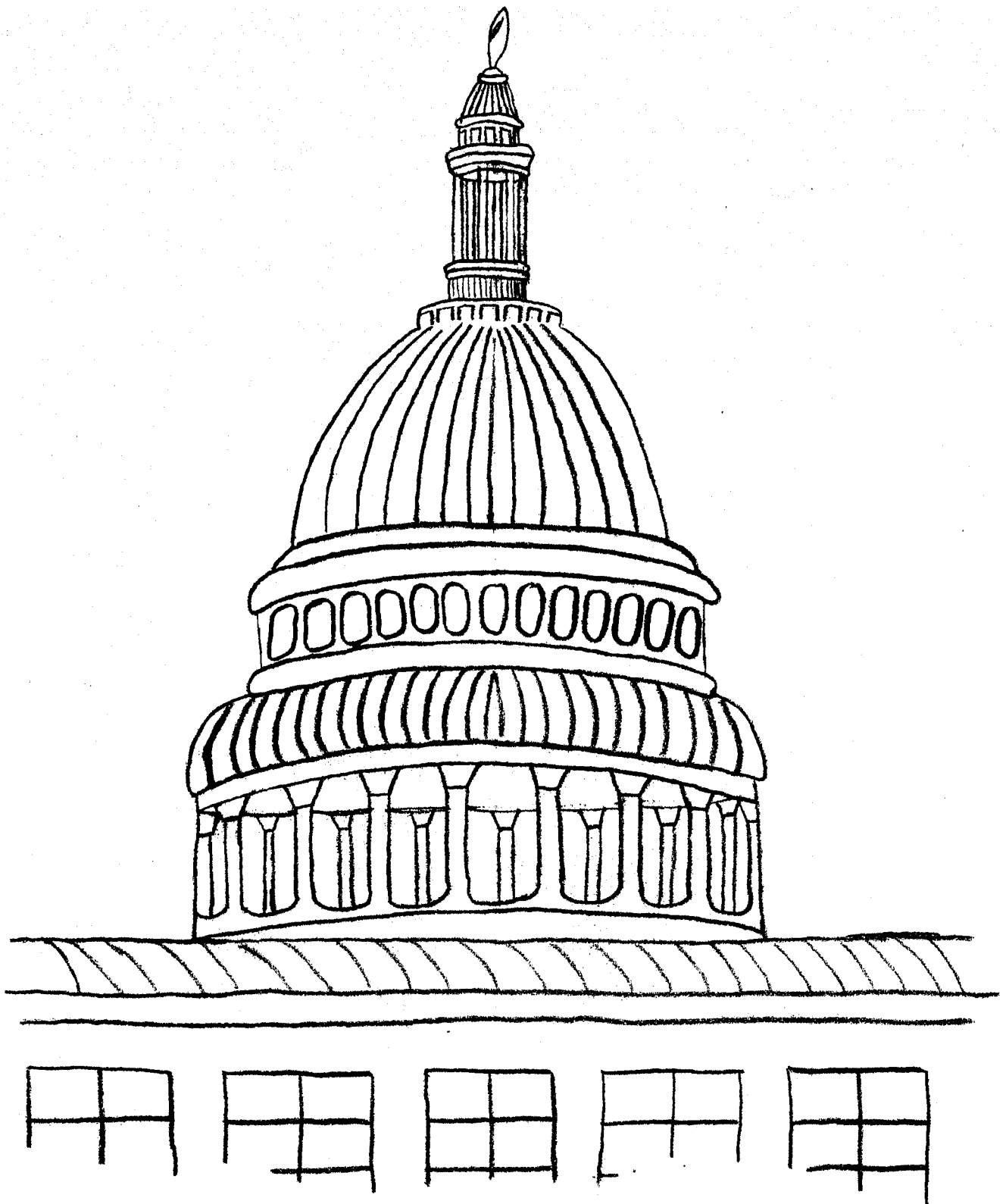


TAXES





FEDERAL EXCISE TAX
STATE PUBLIC UTILITIES TAX

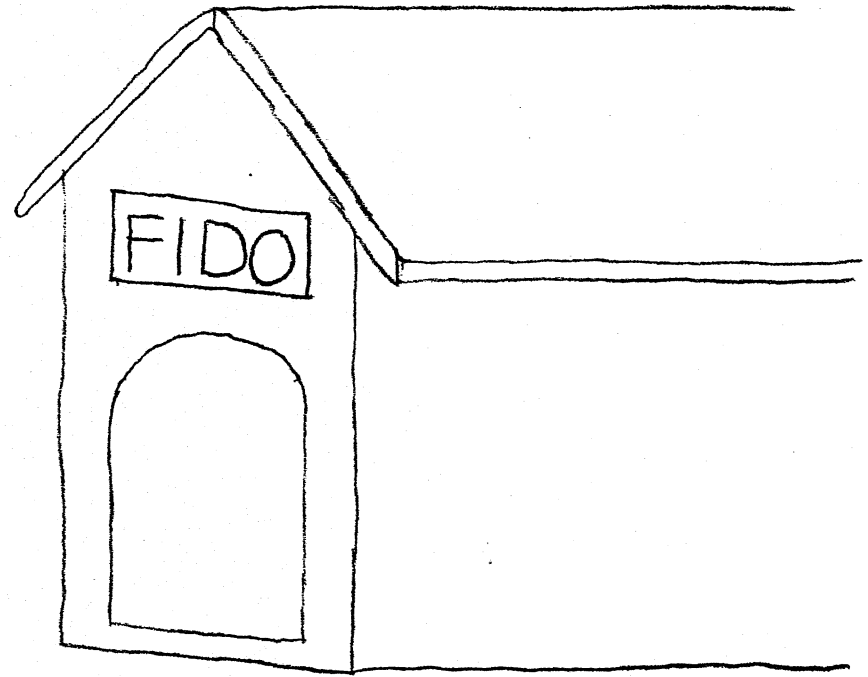
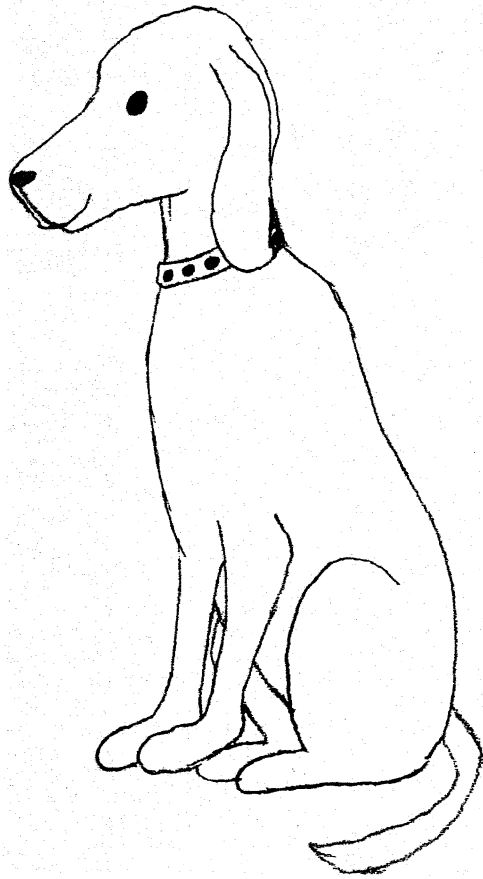


State Estate, Federal
Inheritance and Gift Taxes



INTANGIBLE
PROPERTY TAX

DOG

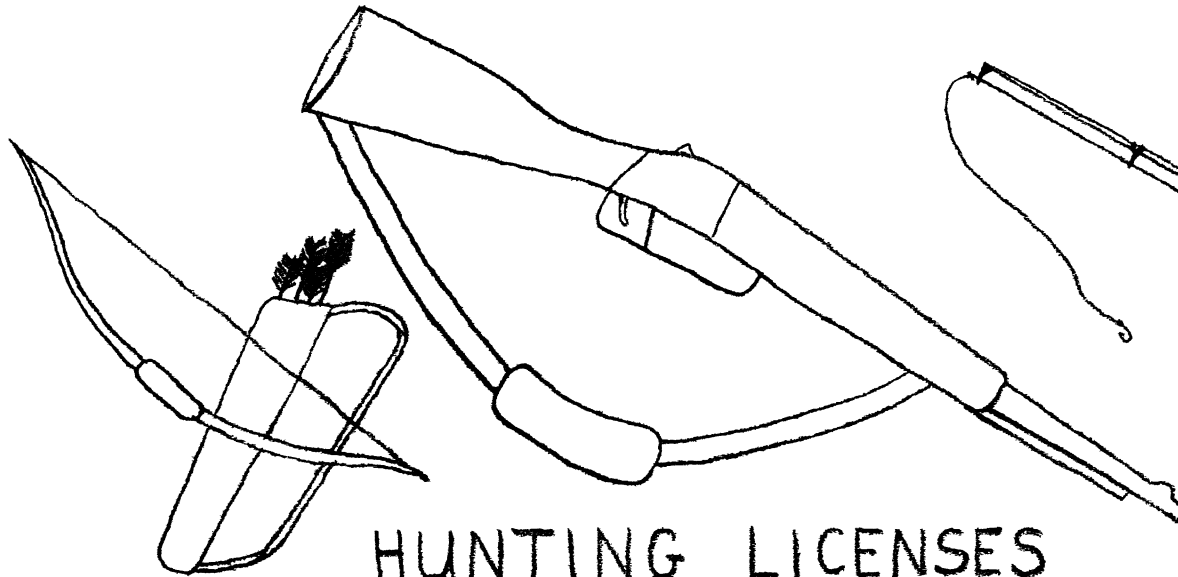
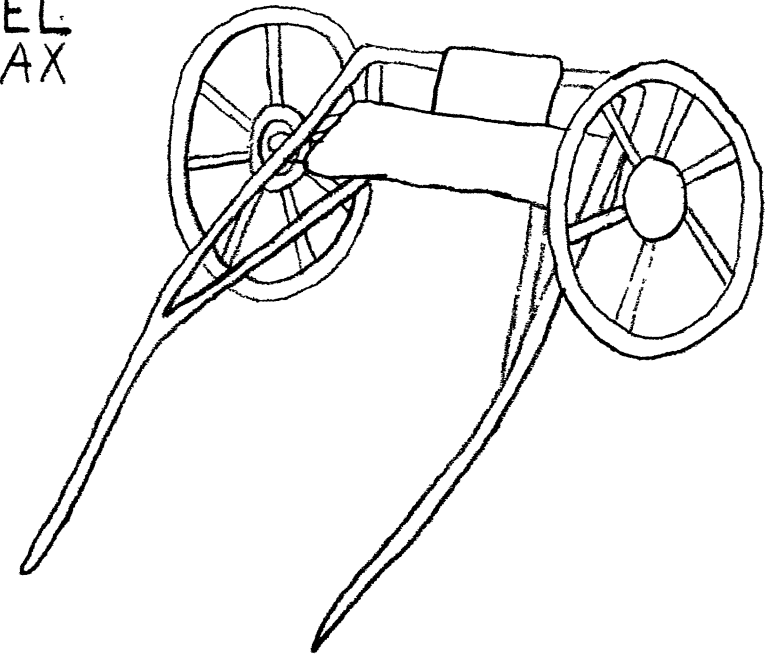


LICENSE

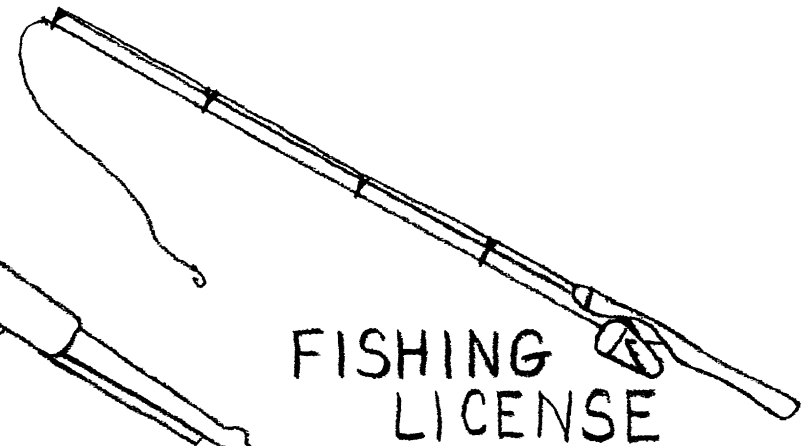


PARIMUTUEL
STATE TAX

ADMISSIONS
TAX

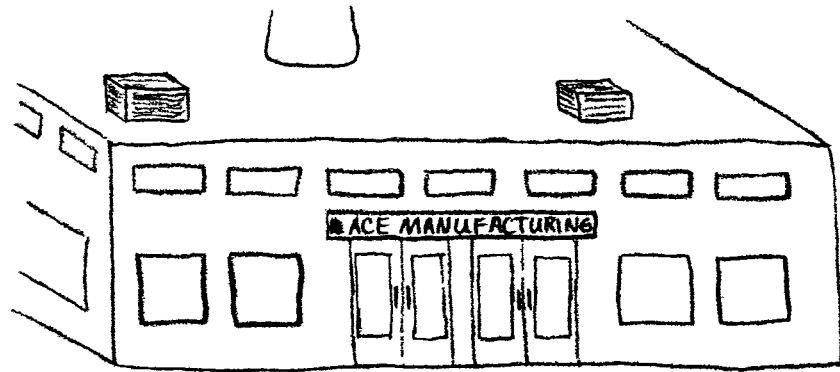


HUNTING LICENSES



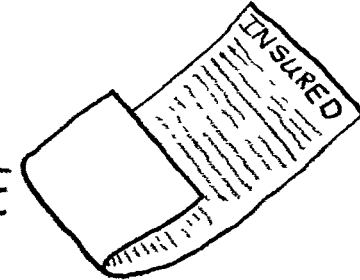
FISHING
LICENSE

HIDDEN TAXES

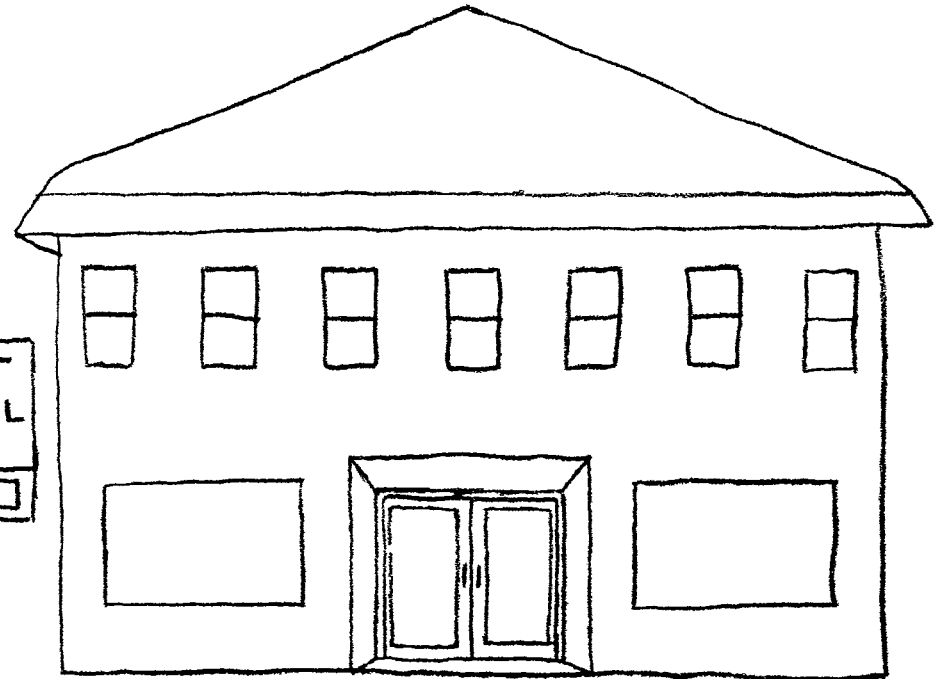
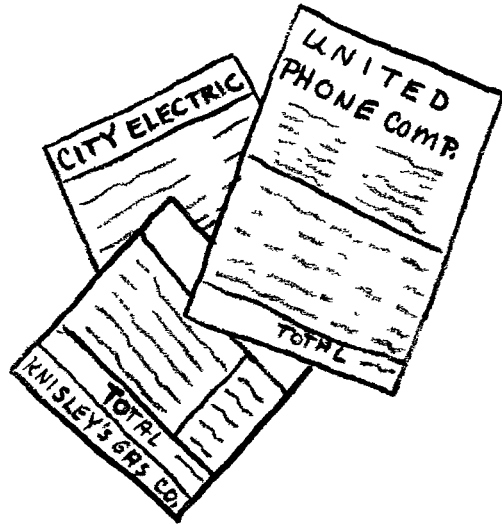


CORPORATE FRANCHISE

INSURANCE

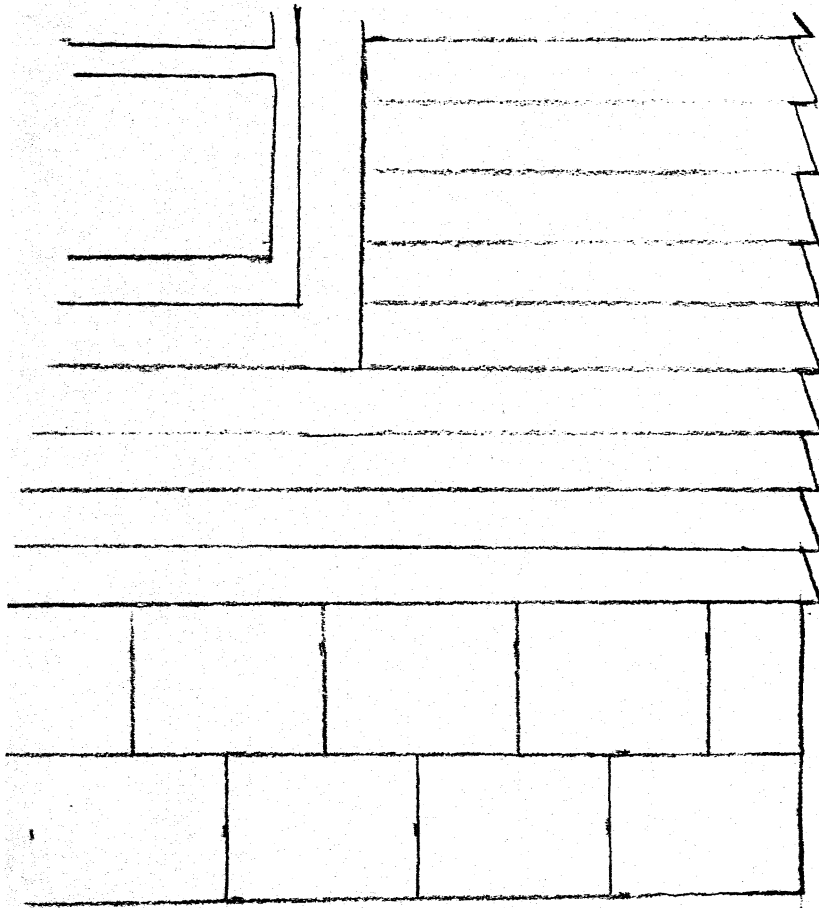


PUBLIC UTILITIES EXCISE TAX

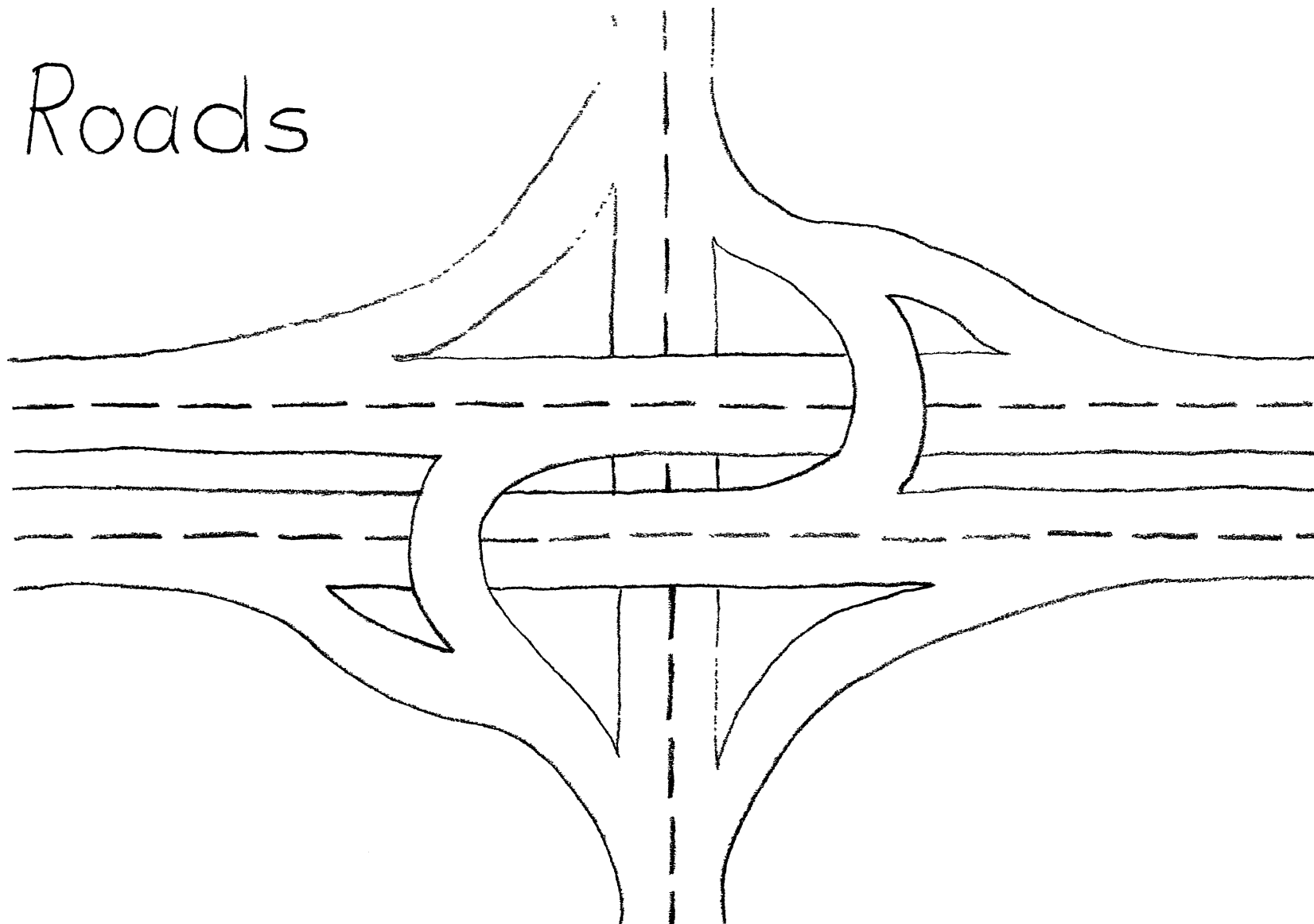


INTANGIBLE PROPERTY TAX

Inspection Services

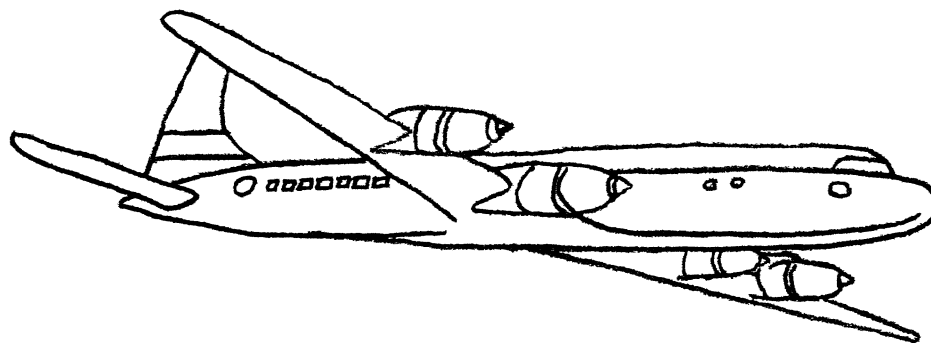
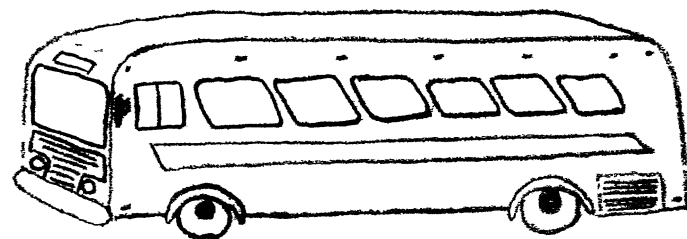


Roads



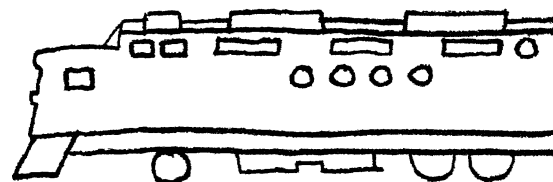
TRANSPORTATION

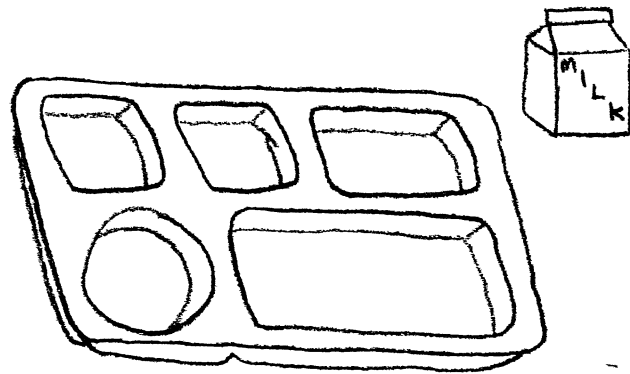
BUS



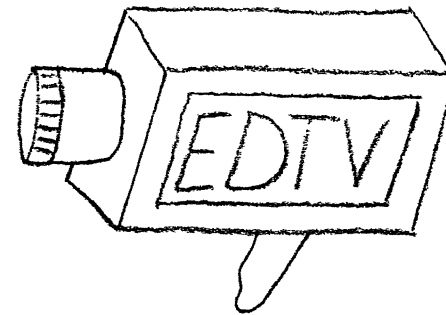
AIR

TRAIN



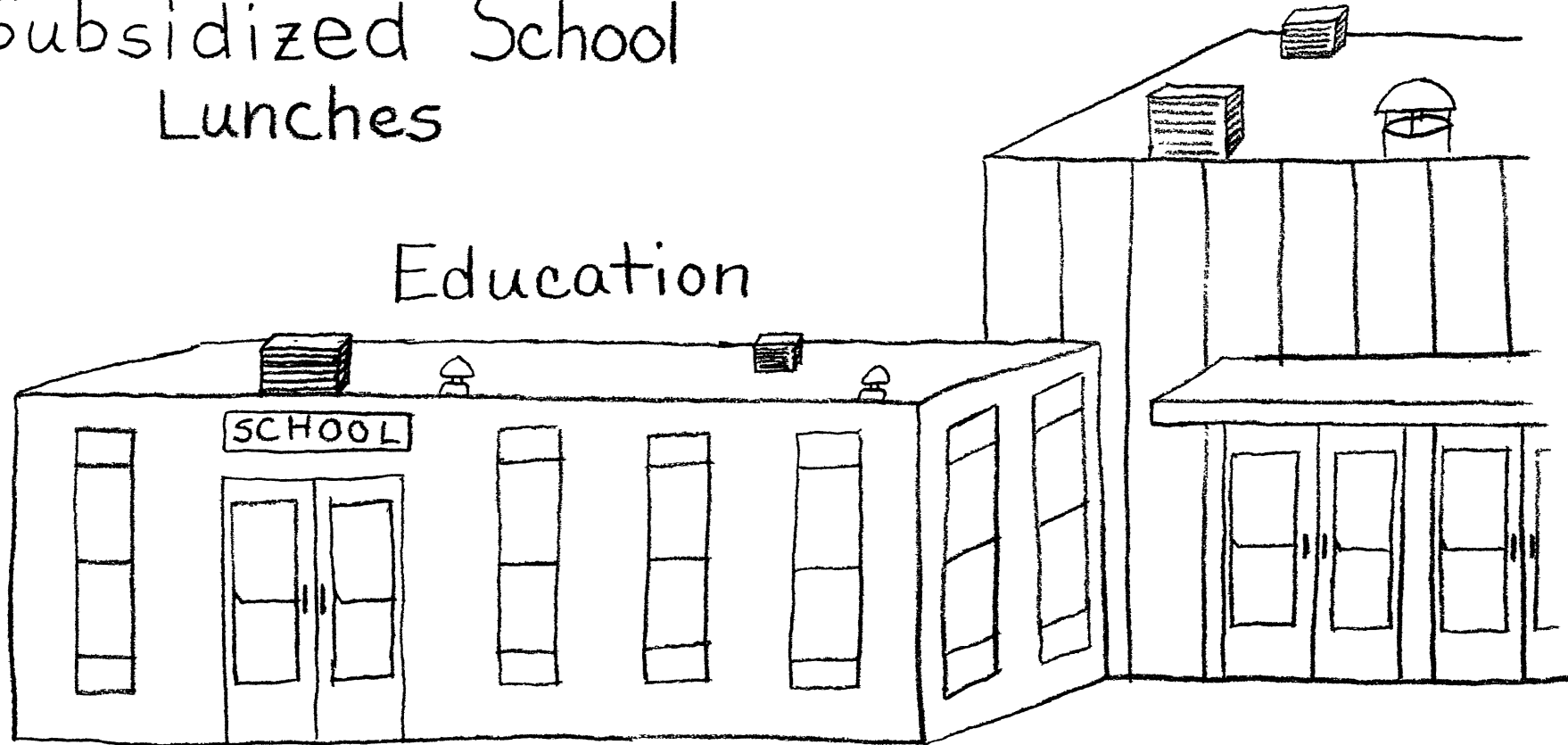


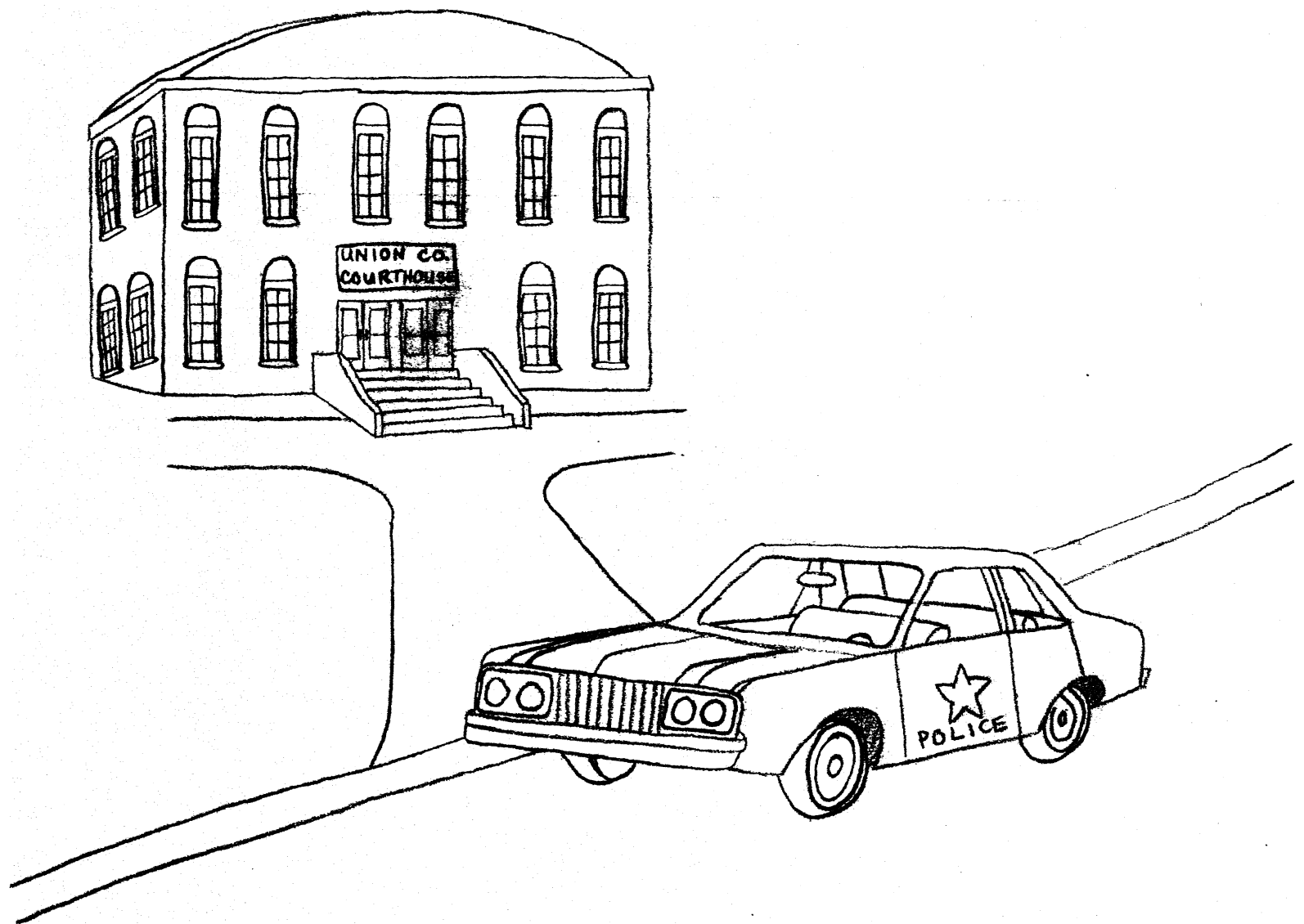
Subsidized School
Lunches



Educational T.V.

Education



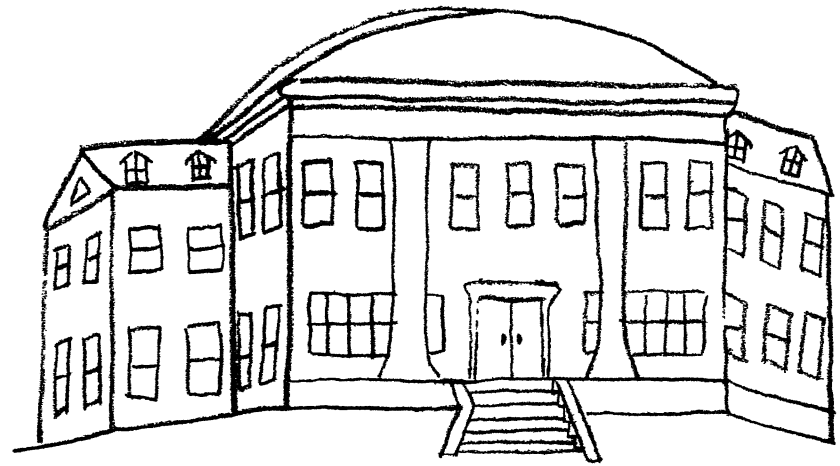


POLICE, COURTS



COUNSELING

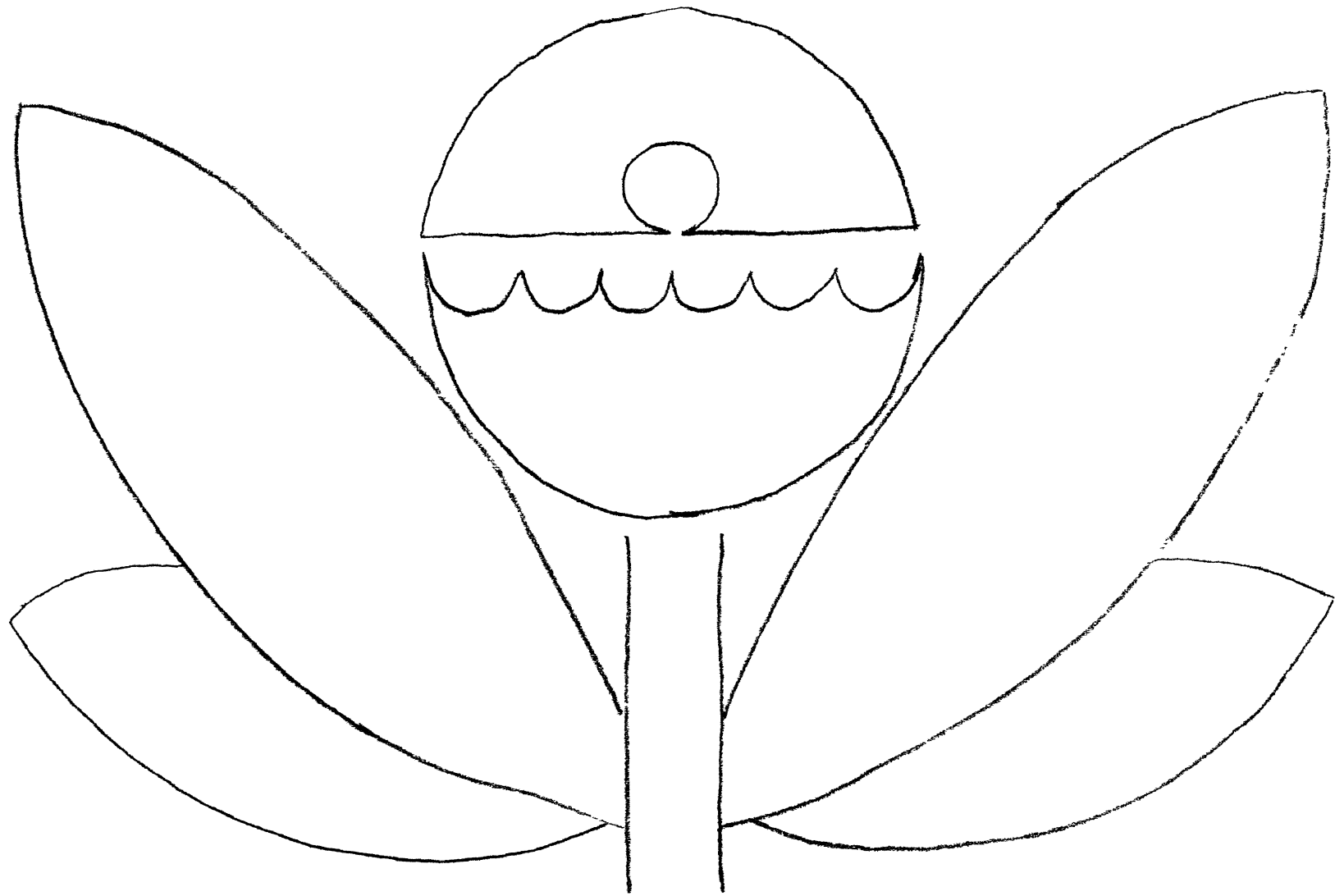
Administration



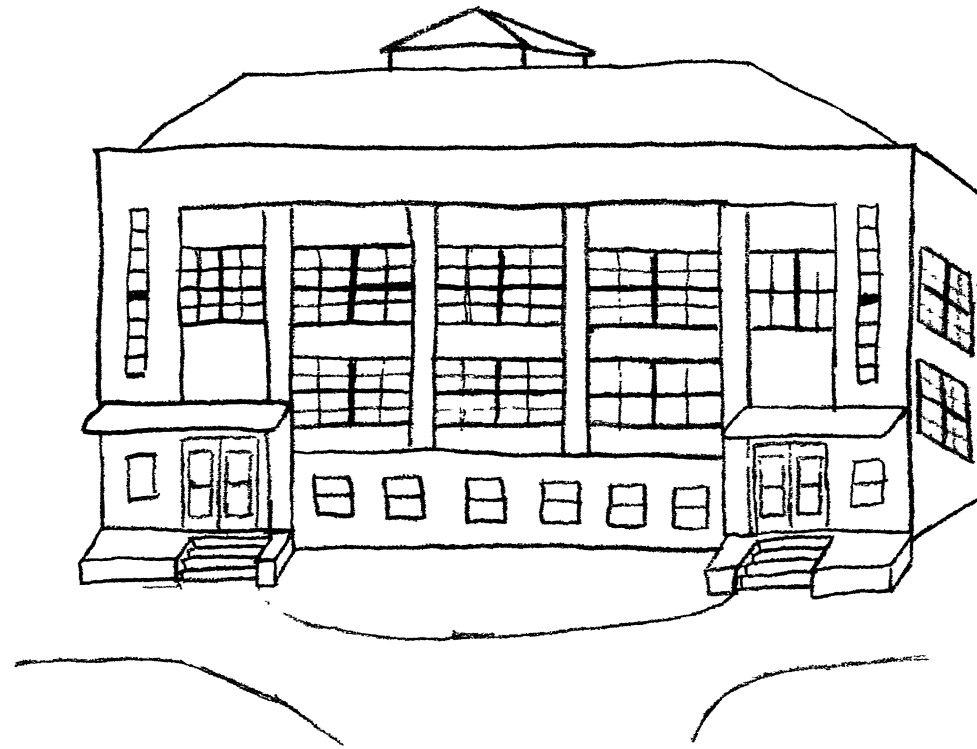
Government

Buildings

Environtmental



Protection



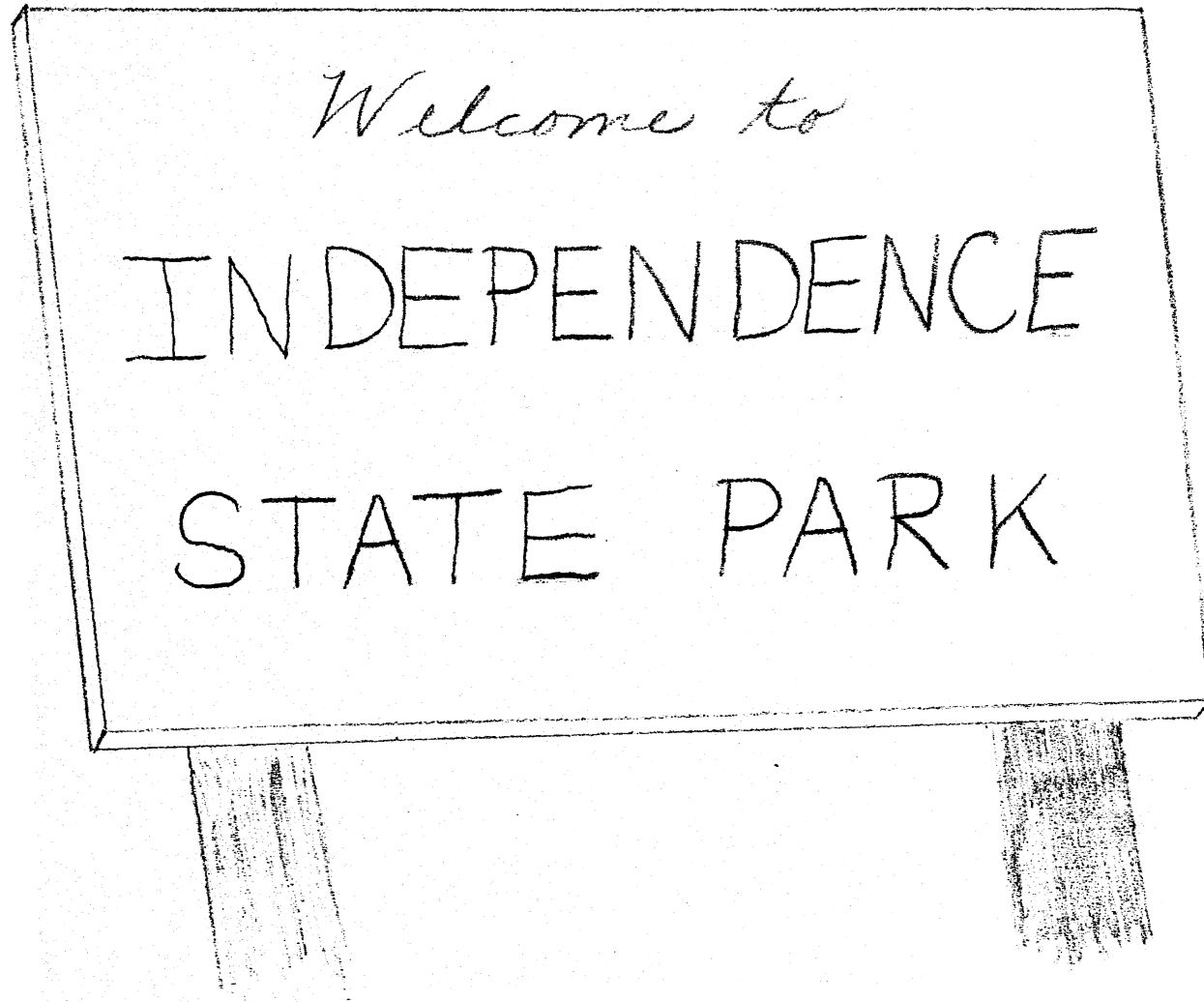
Public Libraries

PARKS

Welcome to

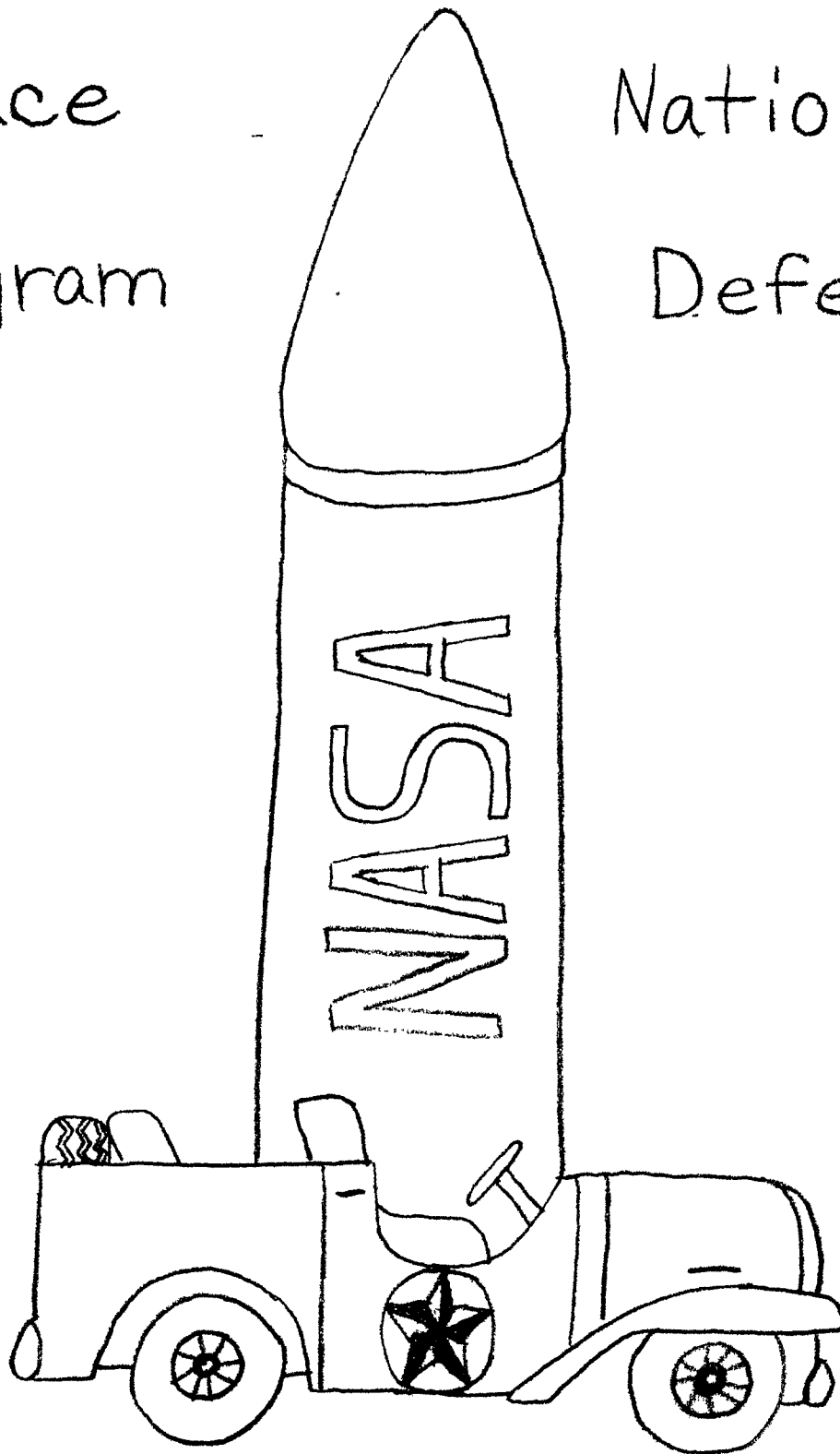
INDEPENDENCE

STATE PARK



Space
Program

National
Defense



Social Security

MAY 1 1978

Pay to the
Order of

John Doe

\$ 159⁶³

One-hundred fifty-nine and —⁶³/₁₀₀ DOLLARS

MEDICARE

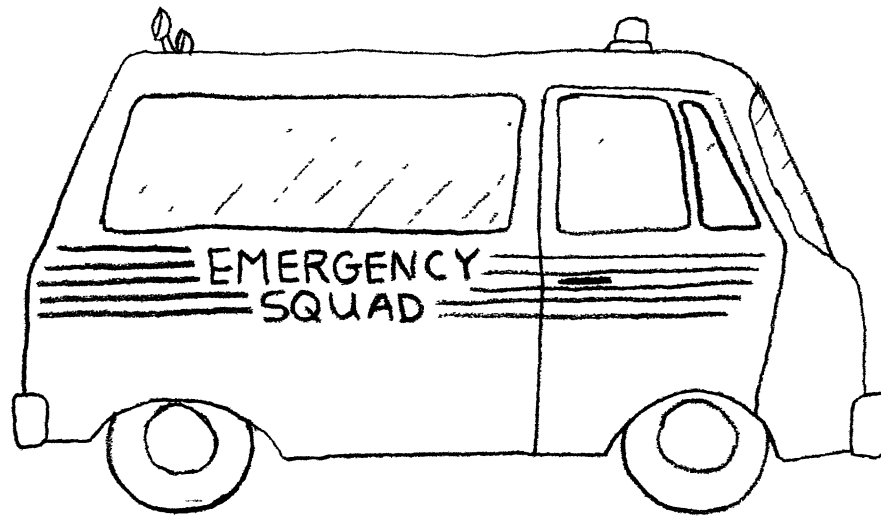
Pay to the
Order of

James Doe

November 2 1978

\$ 571²⁵

Five hundred seventy-one and ²⁵/₁₀₀ DOLLARS



RESCUE
SQUAD

FIRE
PROTECTION



APPENDIX II
LOCAL GOVERNMENT SERVICE CLASSIFICATION MATRIX

Direct Service Types	Cost Per Capita(\$) ^a	Measure Output Easily	Growth vs. Maint.	Service Policy Criteria							Political Proximity Essential ^b	Other
				Major Size Economies ^b	Major Spillovers Expected ^b	Income ^b Redist.	Merit Good	Exclude Users Easily				
	<i>Ohio</i> <i>U.S.</i>											
Education	<i>203.26</i> 239.38	NO	G & M	NO	YES	YES	YES	YES	YES	YES		
Public Welfare	<i>17.44</i> 43.63	NO	M	NO	NO	YES	NO	YES	YES	YES		
Highways	<i>30.01</i> 30.87	YES	G	NO	YES	NO	?	?	?	YES & NO		
Hospitals	<i>19.67</i> 27.27	NO	M	YES	YES	YES	YES	YES	YES	NO		
Police Protection	<i>21.25</i> 25.12	?	M	NO	NO	NO	NO	NO	NO	YES		
Water Supply	<i>15.50</i> 18.40	YES	G	YES	NO	NO	?	YES	NO	NO		
Sewerage	<i>16.24</i> 16.03	YES	G	YES	YES	NO	NO	YES	NO	NO		
Housing and Urban Renewal	<i>13.21</i> 13.28	?	?	NO	YES	YES & NO	YES	YES	YES	YES		
Fire Protection	<i>11.70</i> 12.69	?	M	NO	NO	NO	NO	NO	NO	YES		
Parks and Recreation	<i>8.11</i> 11.40	NO	?	NO	NO	NO	YES	?	?	YES & NO		
Solid Waste	<i>6.41</i> 7.81	YES	M	NO	YES	NO	NO	YES	NO	NO		
Public Health	<i>6.20</i> 7.23	NO	M	YES	YES	YES	YES	NO	NO	NO		
Corrections	<i>2.10</i> 3.95	NO	M	YES	YES	NO	NO	YES	?	?		
Library	<i>1.85</i> 3.70	YES	M	NO	NO	NO	YES	YES	YES	YES		
Natural Resources	<i>1.02</i> 3.21	NO	?	NO	NO	NO	YES	?				

^aExpenditures per capita for county area, local governments 1971-72, U.S. Census of Government.

^bWerner Z. Hirsch, "Local vs. Areawide Urban Government Services," National Tax Journal, Vol. XVII, No. 4, December 1964, pp. 333 and 336.

APPENDIX
Selected Public Services, as Related to Incidence of Benefits, Level of Government to Assume Responsibility, and
Source of Funds

Type of public service	Incidence of primary benefits	Level of government to assume responsibility	Funding source or type of tax most logical ^{1/}
-----Decision arrived at-----			
Elementary and secondary education.....	Individual and entire Nation.....	Federal: basic minimum level.	Income.
	Enhance State's competitive advantage..	State: coordinating function....	Income and sales.
	Local satisfaction of excellence.....	Local: electives and buildings...	Property and fees.
Welfare.....	Individual.....	Federal.....	Income.
Highways.....	Highway users.....	Federal and State.....	Gasoline use.
Mail delivery.....	All citizens of Nation.....	Federal.....	Use.
Health and hospitals.....	All citizens of State.....	State.....	Income, sales, and fees
Water and sewage.....	Citizens of local community.....	Local.....	Property and fees.
National defense.....	All citizens of Nation.....	Federal.....	Income.
Judicial.....	All citizens of State and Nation.....	State and Federal.....	Income and sales.
Fire protection.....	Property owners of community.....	Local.....	Property.
Public safety.....	All citizens of community.....	Local.....	Property.
Vital statistics.....	All citizens - better decisions.....	Federal, State, and local.....	Income and fees.
Census.....	All citizens - better decisions.....	Federal.....	Income.
Agricultural production control.....	Individual producers.....	Federal.....	Fees from producers.
Land records.....	Property owners.....	Local.....	Property and fees.
Recreation facilities.....	All citizens of community.....	Local.....	Property and fees.
	All citizens of State and Nation.....	State and Federal.....	Sales, income and fees.
General governmental functions.....	All citizens of community.....	Local.....	Property and fees.
	All citizens of State.....	State.....	Income.
	All citizens of Nation.....	Federal.....	Income.
Rehabilitation (alcoholism)	Persons requiring rehabilitation.....	Federal, State and local.....	Use tax on causal products.

^{1/} Use of the term, "most logical" refers to the tax, or tax system, that brings about a better relationship between the distribution of costs and the distribution of benefits.

Suggested References

Political Economy of Government

1. Eckstein, Otto, Public Finance, Prentice-Hall Inc., Englewood Cliffs, New Jersey, 1970.
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3. Hirsch, Werner Z., The Economics of State and Local Government, McGraw-Hill Book Company, New York, 1970.
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Government Revenue and Expenditure Data

U.S. Department of Commerce, 1972 Census of Governments, Vol. 4, Government Finances,
No. 3 Finances of County Governments
No. 4 Finances of Municipalities and Township Governments
No. 5 Compendium of Government Finances

Ohio Public Expenditure Council, County Data Series published approximately two times per month. Includes current data summarized by county on general as well as service specific taxes and expenditures.
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